



Fourth Quarter & Fiscal Year 2012 Earnings Call Highlights

November 15, 2012

Featuring revolutionary copper reflow technology, Applied's new Endura® Amber™ PVD system is the only single-chamber solution proven to enable void-free copper structures at the 1x nm node - a critical challenge in the manufacturing of advanced logic and memory devices



Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's products, opportunities, and Q1'13 expectations. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including the level of demand for Applied's products, which is subject to many factors, such as uncertain global economic and industry conditions, demand for electronic products and semiconductors, government renewable energy policies, and customers' new technology and capacity requirements; the concentrated nature of Applied's customer base; Applied's ability to (i) develop, deliver and support a broad range of products and expand its markets, (ii) successfully integrate Varian and realize synergies, (iii) timely align its cost structure with business conditions and achieve intended objectives, (iv) attract, motivate and retain key employees, and (v) accurately forecast future operating and financial results, which depends on multiple assumptions; and other risks described in our most recent periodic and current SEC reports. All forward-looking statements are based on management's estimates, projections and assumptions as of November 15, 2012, and Applied undertakes no obligation to update any forward-looking statements.

This presentation also contains non-GAAP financial measures, along with reconciliations to GAAP.

Contents

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- Q4 FY'12 financial summary (consolidated)
- Reporting segments
- Q1 FY'13 expectations
- GAAP to non-GAAP reconciliations

Quarter & Fiscal Year Highlights

Q4 FY'12

- Net sales of \$1.6 billion
- Non-GAAP* EPS of 6 cents at high end of expectations
- GAAP loss of 42 cents per share reflected restructuring and goodwill impairment charges of \$545 million
- Returned \$627 million to stockholders including \$516 million in stock repurchases

FY 2012

- FY 2012 net sales of \$8.7B, EPS of \$0.09 and non-GAAP* EPS of \$0.75
- Invested \$1.2B in R&D and engineering and generated \$1.9B in operating cash flow
- Returned \$1.9B to stockholders including \$1.4B in stock repurchases

* See slide 19 for reconciliation of GAAP to non-GAAP measures

Q4'12 Income Statement Summary (consolidated)

New orders:

\$1.5B – down 18.6% from Q3'12

Backlog:

\$1.6B – down 11.8% from Q3'12

Net sales:

\$1.6B – down 29.7% from Q3'12

**Non-GAAP
gross margin*:**

38.4% – down 3.2 percentage points from Q3'12

**Non-GAAP
operating
income/margin*:**

\$114M or 6.9% of net sales

**Non-GAAP
tax rate*:**

26.3%

**Non-GAAP
net income*:**

\$70M or \$0.06 per diluted share

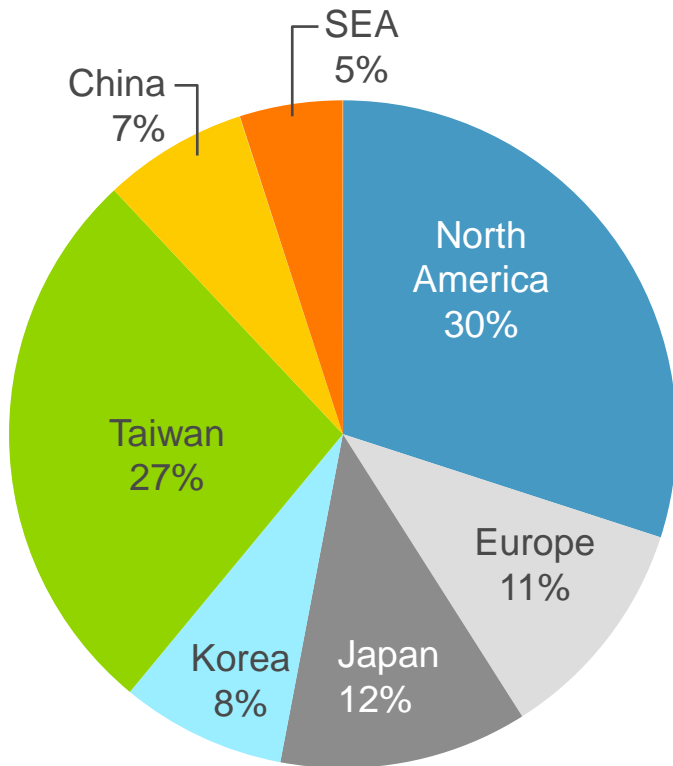
* See slides 19, 21, and 27 for reconciliation of GAAP to non-GAAP measures

Summary Income Statement (consolidated)

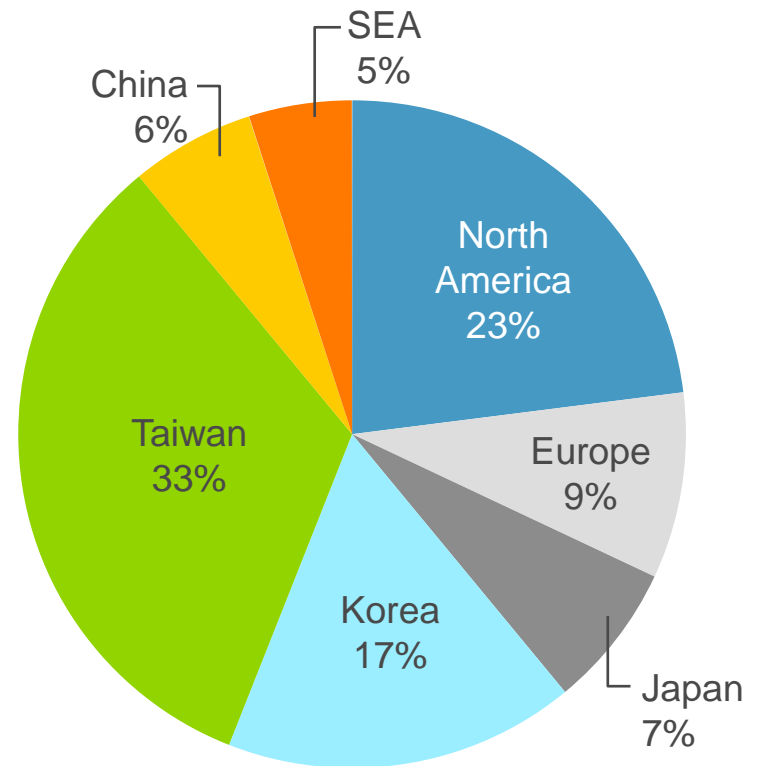
Unaudited \$ Amounts in Millions Except EPS	Q4'12	Q3'12	Q4'11
New orders	\$1,465	\$1,799	\$1,595
Net sales	\$1,646	\$2,343	\$2,182
Gross margin (Non-GAAP)*	38.4%	41.6%	39.5%
RD&E	18.4%	13.2%	12.3%
SG&A	14.4%	10.9%	10.2%
Operating margin (Non-GAAP)*	6.9%	18.4%	17.6%
Net income (Non-GAAP)*	\$70M	\$300	\$271
Net income % (Non-GAAP)*	4.3%	12.8%	12.4%
EPS (Non-GAAP)*	\$0.06	\$0.24	\$0.21

* See slides 19 and 21 for reconciliation of GAAP to non-GAAP measures

New Orders Regional Distribution (consolidated)

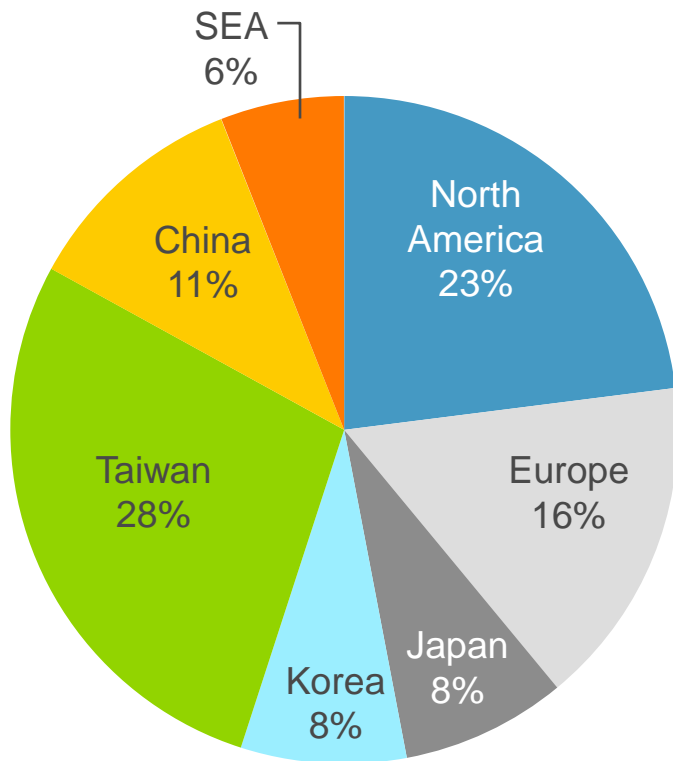


Q4 FY'12
\$1.5 Billion

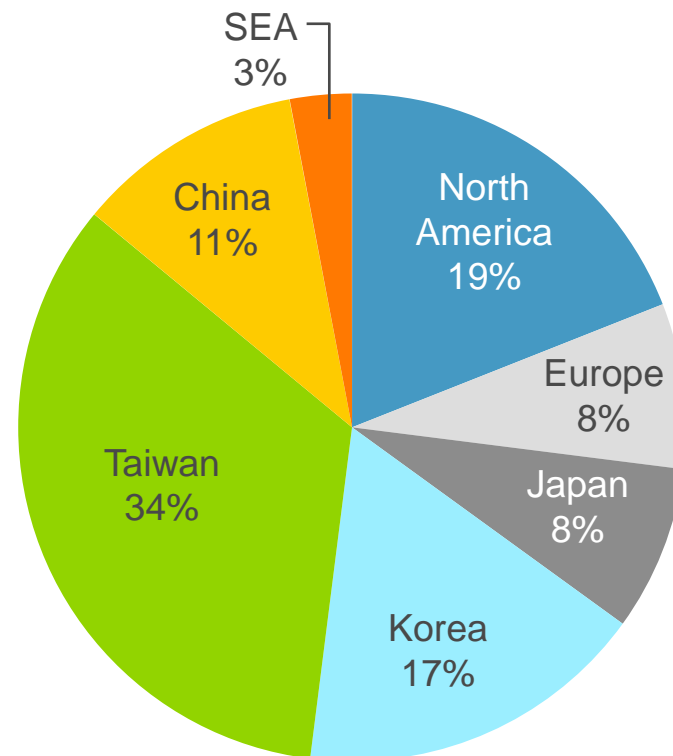


Q3 FY'12
\$1.8 Billion

Net Sales Regional Distribution (consolidated)



Q4 FY'12
\$1.6 Billion



Q3 FY'12
\$2.3 Billion

Q4'12 Other Financials Summary

Cash, cash equivalents and investments:

Decreased \$230M to \$3.0B

Inventory:

\$1.3B, down \$108M from Q3'12

Days sales outstanding:

67 days vs. 60 days in Q3'12

Capital spending:

\$41M

Depreciation and amortization:

\$97M

Headcount:

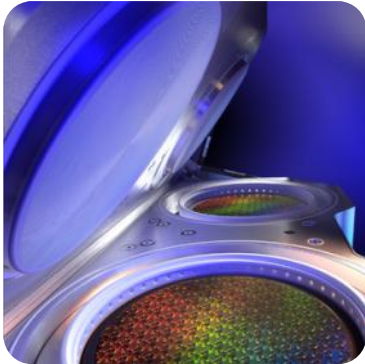
~14,500 regular employees*

* Excluding temporary and interns

Summary Balance Sheet

Unaudited \$ Amounts in Millions	Q4'12	Q3'12	Q4'11
Cash, cash equivalents & investments	\$2,992	\$3,222	\$7,174
Accounts receivables, net	\$1,220	\$1,535	\$1,532
Inventories	\$1,272	\$1,380	\$1,701
Property, plant & equip., net	\$910	\$917	\$866
Total assets	\$12,102	\$13,320	\$13,861
Long-term debt	\$1,946	\$1,946	\$1,947
Total stockholders' equity	\$7,235	\$8,339	\$8,800
Current ratio	2.3	2.4	3.7
Total debt / capital ratio	21.2%	18.9%	18.1%

Reporting Segments



SILICON SYSTEMS GROUP

Designs, manufactures and sells equipment used to fabricate semiconductor chips



APPLIED GLOBAL SERVICES

Broad range of products* to maintain, service and optimize customers' semiconductor, display and solar fabs



DISPLAY

Designs, manufactures and sells equipment used to make flat panel displays

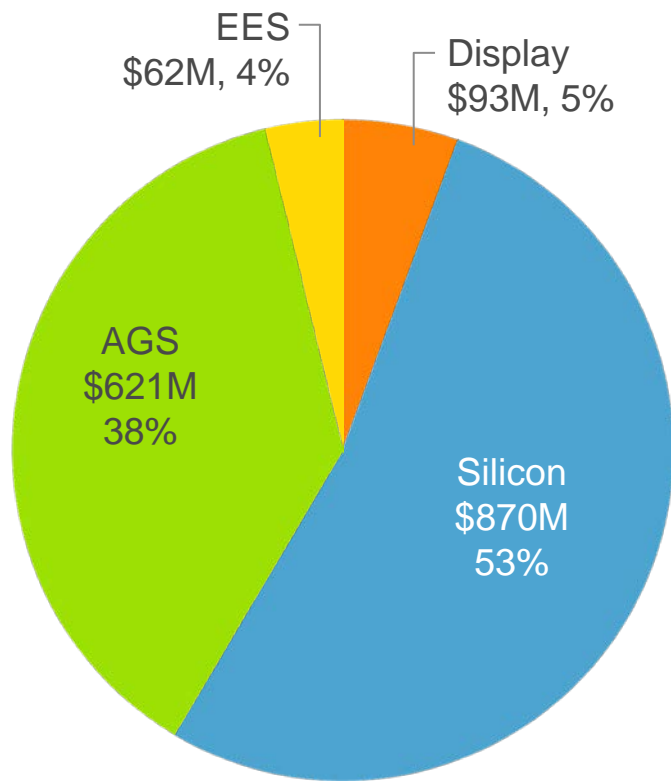


ENERGY & ENVIRONMENTAL SOLUTIONS

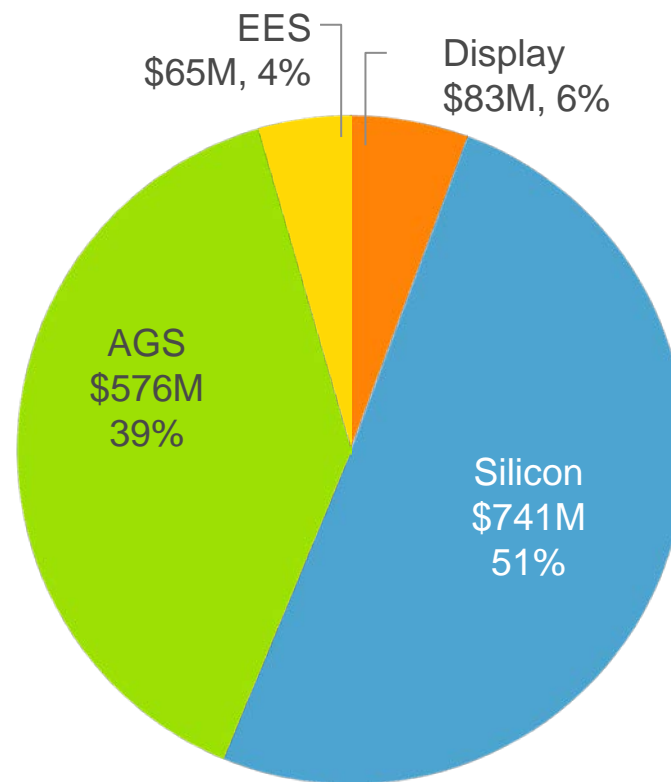
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

* Include total parts management, spare parts, remanufactured equipment, maintenance agreements, total support programs, environmental and software solutions and thin film solar lines

Q4'12 Net Sales & New Orders by Segment

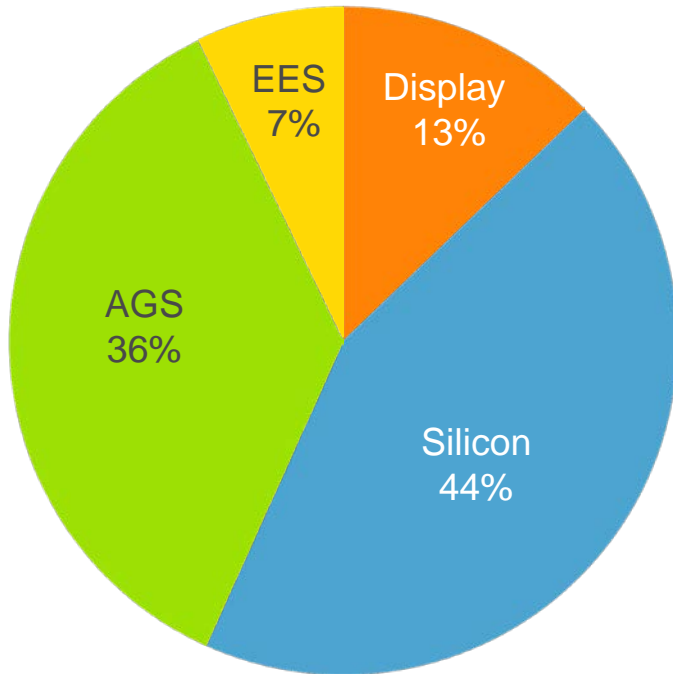


Net Sales
\$1.6 Billion

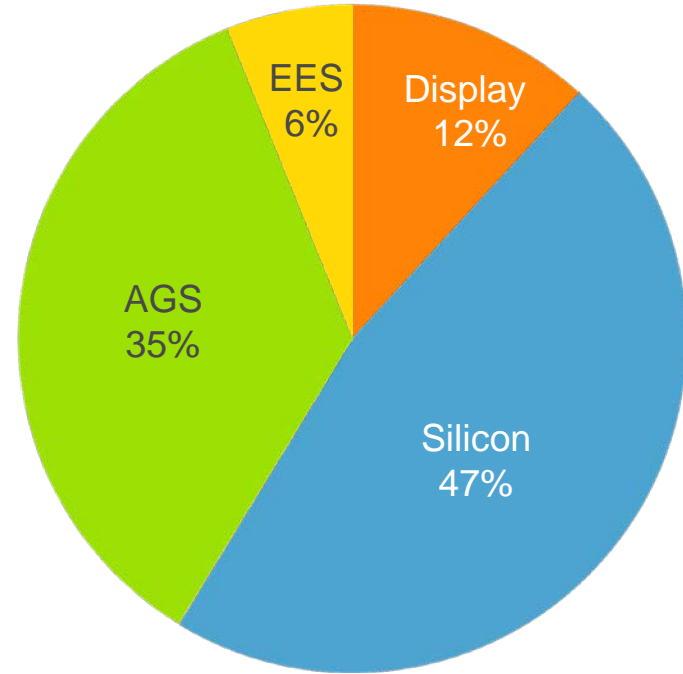


New Orders
\$1.5 Billion

Backlog by Segment



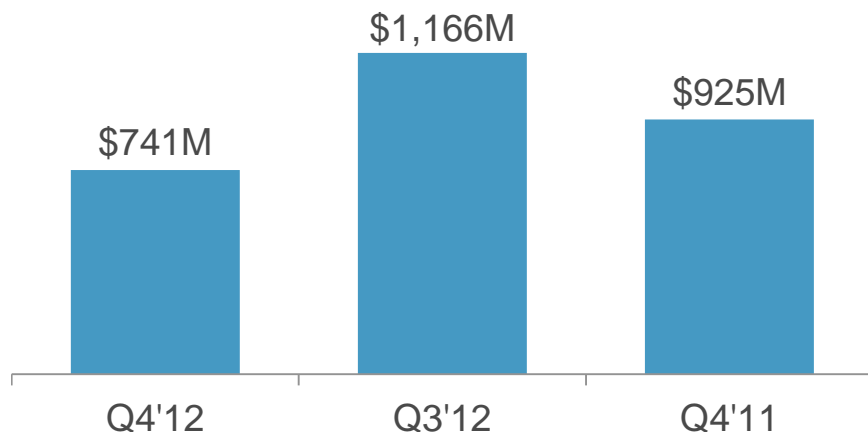
Q4 FY'12
\$1.6 Billion



Q3 FY'12
\$1.8 Billion

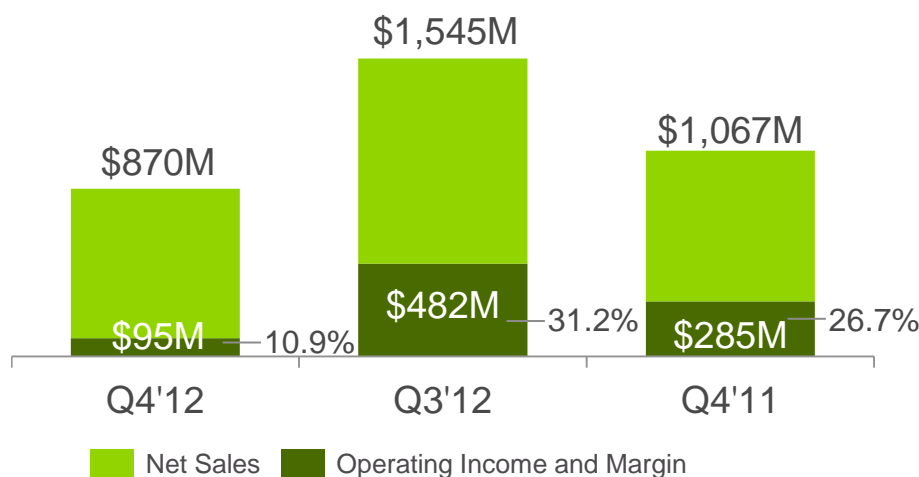
Silicon Systems Group Segment

New Orders



- Orders were \$741M, down 36% QoQ
 - Primarily due to lower orders in foundry & memory customers, partially offset by increased orders in logic
- Net sales were \$870M, down 44% QoQ
- Non-GAAP operating income of \$95M or 10.9% of net sales*

Net Sales & Non-GAAP Operating Income*



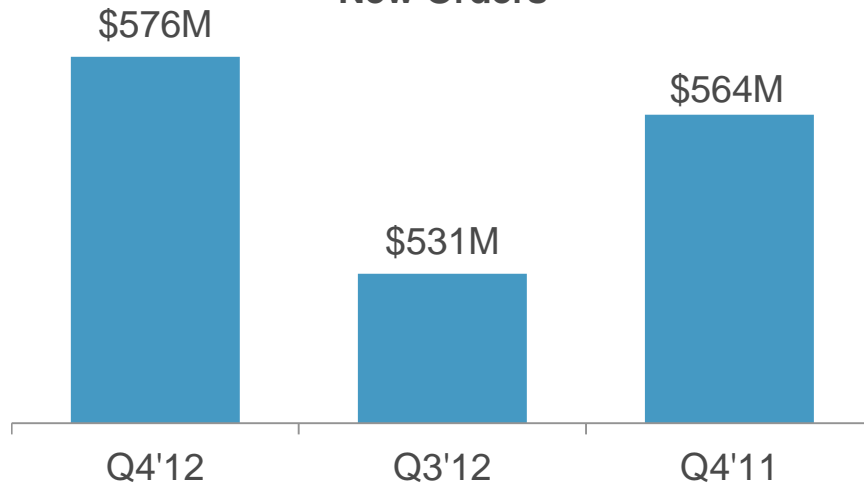
Q4'12 ORDERS BY CUSTOMER SEGMENT

Foundry	DRAM	Flash	Logic & Others
47%	5%	8%	40%

* See slide 23 for reconciliation of GAAP to non-GAAP measures

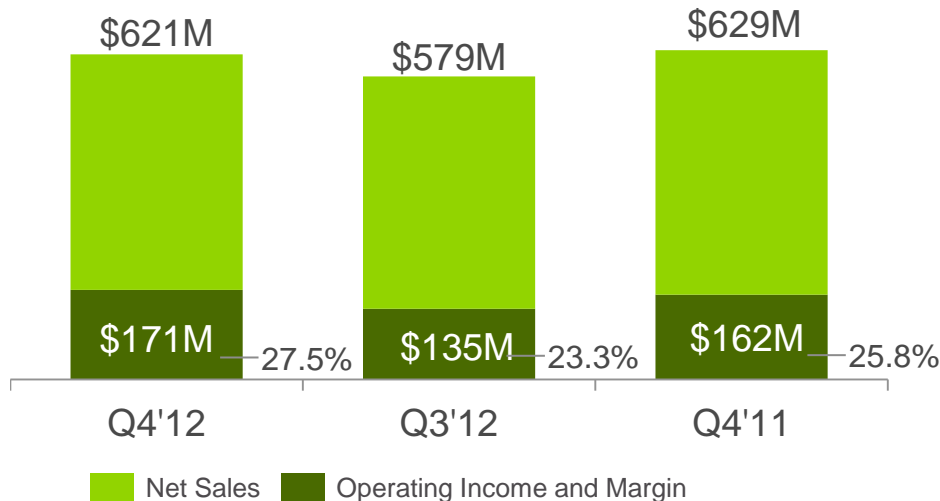
Applied Global Services Segment

New Orders



- Orders were \$576M, up 8% QoQ
 - Driven by annual service contract renewals
- Net sales were \$621M, up 7% QoQ
 - Included \$85M in sales of a thin film production line
- Non-GAAP operating income of \$171M or 27.5% of net sales*

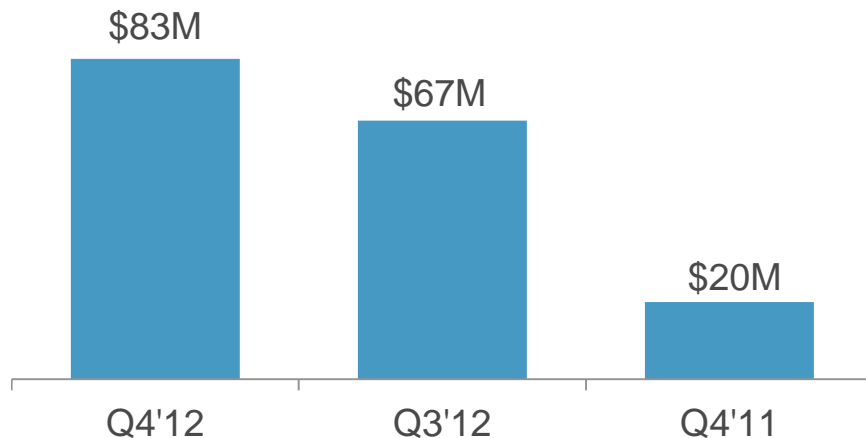
Net Sales & Non-GAAP Operating Income*



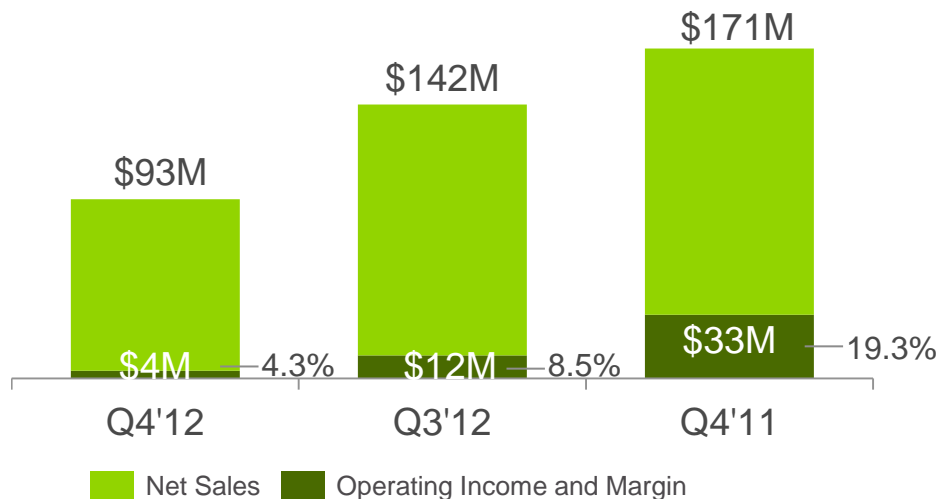
* See slide 24 for reconciliation of GAAP to non-GAAP measures

Display Segment

New Orders



Net Sales & Non-GAAP Operating Income*

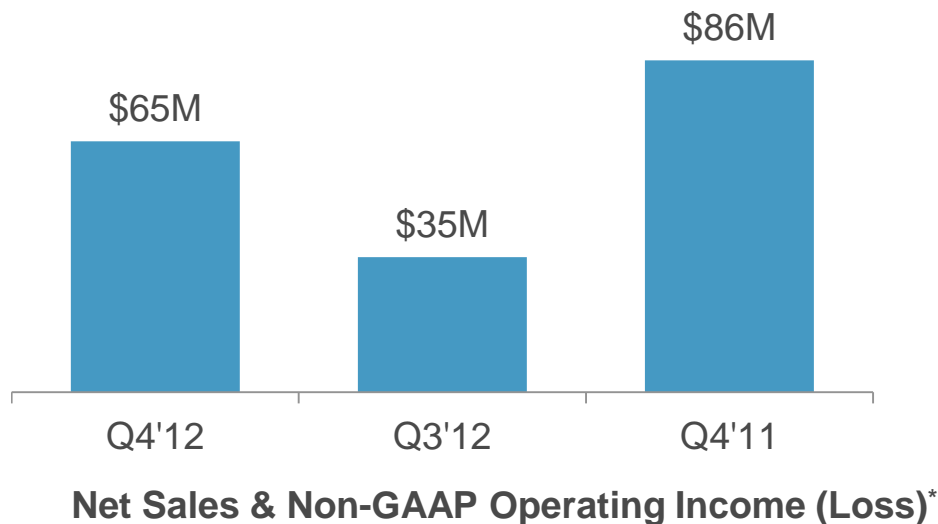


- Orders were \$83M, up 24% from prior quarter
- Net sales were \$93M, down 35% QoQ
 - Mobility investments continued to account for majority of sales
- Non-GAAP operating income of \$4M or 4.3% of net sales*

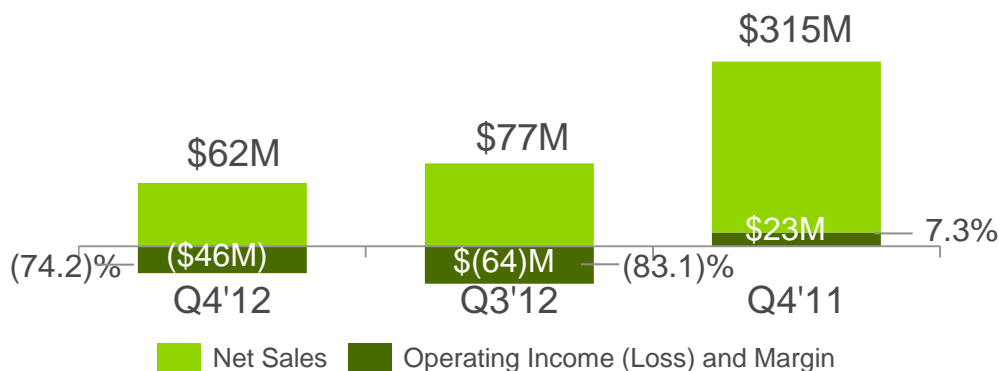
* See slide 25 for reconciliation of GAAP to non-GAAP measures

Energy & Environmental Solutions Segment

New Orders



- Orders were \$65M, up 86% from prior quarter
 - Driven by roll-to-roll deposition equipment
- Net sales were \$62M, down 19% QoQ
- Non-GAAP operating loss of \$46M*



* See slide 26 for reconciliation of GAAP to non-GAAP measures

Q1'13 Expectations (as of Nov 15, 2012)

Net Sales	Flat to down 15% from Q4'12
Non-GAAP EPS[*]	\$0.06 to \$0.00

- * Excludes known charges related to completed acquisitions of approximately \$0.05 per share; outlook does not exclude other non-GAAP adjustments that may arise subsequent to Q4'12 earnings release.

* See slide 28 for reconciliation of GAAP to non-GAAP measures

Reconciliation of GAAP to Non-GAAP Results (unaudited)

(In millions, except percentages)

Non-GAAP Gross Margin

	Three Months Ended			Twelve Months Ended	
	October 28, 2012	July 29, 2012	October 30, 2011	October 28, 2012	October 30, 2011
Reported gross margin (GAAP basis)	\$ 586	\$ 930	\$ 852	\$ 3,313	\$ 4,360
Certain items associated with acquisitions ¹	46	44	10	253	37
Non-GAAP gross margin	\$ 632	\$ 974	\$ 862	\$ 3,566	\$ 4,397
Non-GAAP gross margin percent (% of net sales)	38.4%	41.6%	39.5%	40.9%	41.8%

Non-GAAP Operating Income

Reported operating income (loss) (GAAP basis)	\$ (499)	\$ 322	\$ 361	\$ 411	\$ 2,398
Certain items associated with acquisitions ¹	55	57	13	298	51
Acquisition integration and deal costs	13	8	10	81	19
Impairment of goodwill	421	—	—	421	—
Restructuring charges and asset impairments ^{2, 3, 4, 5}	124	44	—	168	(30)
Gain on sale of facilities, net	—	—	—	—	(27)
Non-GAAP operating income	\$ 114	\$ 431	\$ 384	\$ 1,379	\$ 2,411
Non-GAAP operating margin percent (% of net sales)	6.9%	18.4%	17.6%	15.8%	22.9%

Non-GAAP Net Income

Reported net income (loss) (GAAP basis)	\$ (515)	\$ 218	\$ 456	\$ 109	\$ 1,926
Certain items associated with acquisitions ¹	55	57	13	298	51
Acquisition integration and deal costs	13	8	10	81	19
Impairment of goodwill	421	—	—	421	—
Restructuring charges and asset impairments ^{2, 3, 4, 5}	124	44	—	168	(30)
Impairment of strategic investments	14	—	3	17	3
Gain on sale of facilities, net	—	—	—	—	(27)
Reinstatement of federal R&D tax credit	—	—	—	—	(13)
Resolution of audits of prior years' income tax filings	(5)	(10)	(203)	(22)	(203)
Income tax effect of non-GAAP adjustments	(37)	(17)	(8)	(112)	(3)
Non-GAAP net income	\$ 70	\$ 300	\$ 271	\$ 960	\$ 1,723

Non-GAAP Earnings Per Diluted Share

Reported earnings (loss) per diluted share (GAAP basis)	\$ (0.42)	\$ 0.17	\$ 0.34	\$ 0.09	\$ 1.45
Certain items associated with acquisitions	0.04	0.04	0.01	0.19	0.03
Acquisition integration and deal costs	0.01	0.01	0.01	0.05	0.01
Impairment of goodwill	0.34	—	—	0.33	—
Restructuring charges and asset impairments	0.08	0.03	—	0.10	(0.01)
Impairment of strategic investments	0.01	—	—	0.01	—
Gain on sale of facilities, net	—	—	—	—	(0.02)
Reinstatement of federal R&D tax credit and resolution of audits of prior years' income tax filings	—	(0.01)	(0.15)	(0.02)	(0.16)
Non-GAAP earnings per diluted share	\$ 0.06	\$ 0.24	\$ 0.21	\$ 0.75	\$ 1.30
Weighted average number of diluted shares	1,234	1,268	1,321	1,277	1,330

- 1 These items are incremental charges attributable to acquisitions, consisting of inventory fair value adjustments on products sold, and amortization of purchased intangible assets.
- 2 Results for the three months ended July 29, 2012 included severance charges of \$24 million and asset impairment charges of \$11 million related to the restructuring program announced on May 10, 2012 and severance charges of \$9 million related to the integration of Varian.
- 3 Results for the three months ended October 28, 2012 included severance and other charges of \$106 million related to the restructuring program announced on October 3, 2012, restructuring and asset impairment charges of \$12 million related to the restructuring program announced on May 10, 2012, and severance charges of \$6 million related to the integration of Varian.
- 4 Results for the twelve months ended October 28, 2012 included severance and other charges of \$106 million related to the restructuring program announced on October 3, 2012, restructuring and asset impairment charges of \$48 million related to the restructuring program announced on May 10, 2012, severance charges of \$14 million related to the integration of Varian.
- 5 Results for the twelve months ended October 30, 2011 included favorable adjustments of \$36 million related to a restructuring program announced on July 21, 2010, \$19 million related to a restructuring program announced on November 11, 2009, and \$5 million related to a restructuring program announced on November 12, 2008, partially offset by asset impairment charges of \$30 million primarily related to certain fixed and intangible assets.

Integration and Deal Costs and Certain Items Associated with Acquisitions*

<i>(In millions)</i>	Three Months Ended		
	<u>October 28, 2012</u>	<u>July 29, 2012</u>	<u>October 30, 2011</u>
Integration and deal costs and certain items associated with acquisitions			
Cost of products sold	\$ 46	\$ 44	\$ 10
Research, development and engineering	3	1	-
Selling, general and administrative	19	20	13
Total	<u>\$ 68</u>	<u>\$ 65</u>	<u>\$ 23</u>

Reconciliation of GAAP to Non-GAAP

Gross Margin (Consolidated)

	Three Months Ended			Twelve Months Ended	
	October 28, 2012	July 29, 2012	October 30, 2011	October 28, 2012	October 30, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 1,646	\$ 2,343	\$ 2,182	\$ 8,719	\$ 10,517
Gross margin (GAAP basis)	\$ 586	\$ 930	\$ 852	\$ 3,313	\$ 4,360
Certain items associated with acquisitions	46	44	10	253	37
Non-GAAP gross margin	\$ 632	\$ 974	\$ 862	\$ 3,566	\$ 4,397
GAAP gross margin (% of net sales)	35.6%	39.7%	39.0%	38.0%	41.5%
Non-GAAP gross margin (% of net sales)	38.4%	41.6%	39.5%	40.9%	41.8%

Reconciliation of GAAP to Non-GAAP Operating Expenses

Three Months Ended

October 28, 2012

(In millions)

Operating expenses (GAAP basis)	\$	1,085
Certain items associated with acquisitions		(9)
Acquisition integration and deal costs		(13)
Impairment of goodwill		(421)
Restructuring charges and asset impairments		(124)
Non-GAAP operating expenses	\$	518

Reconciliation of GAAP to Non-GAAP SSG Operating Margin

	Three Months Ended			Twelve Months Ended	
	October 28, 2012	July 29, 2012	October 30, 2011	October 28, 2012	October 30, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	<u>\$ 870</u>	<u>\$ 1,545</u>	<u>\$ 1,067</u>	<u>\$ 5,536</u>	<u>\$ 5,415</u>
Operating income (GAAP basis)	\$ 41	\$ 427	\$ 278	\$ 1,243	\$ 1,764
Certain items associated with acquisitions	45	47	4	253	12
Acquisition integration and deal costs	6	7	3	37	3
Restructuring charges and asset impairments	<u>3</u>	<u>1</u>	<u>-</u>	<u>4</u>	<u>-</u>
Non-GAAP operating income	<u>\$ 95</u>	<u>\$ 482</u>	<u>\$ 285</u>	<u>\$ 1,537</u>	<u>\$ 1,779</u>
GAAP operating margin (% of net sales)	4.7%	27.6%	26.1%	22.5%	32.6%
Non-GAAP operating margin (% of net sales)	10.9%	31.2%	26.7%	27.8%	32.9%

Reconciliation of GAAP to Non-GAAP

AGS Operating Margin

	Three Months Ended			Twelve Months Ended	
	October 28, 2012	July 29, 2012	October 30, 2011	October 28, 2012	October 30, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	<u>\$ 621</u>	<u>\$ 579</u>	<u>\$ 629</u>	<u>\$ 2,285</u>	<u>\$ 2,413</u>
Operating income (GAAP basis)	\$ 164	\$ 122	\$ 160	\$ 502	\$ 482
Certain items associated with acquisitions Restructuring charges and asset impairments	3 4	2 11	2 -	13 15	7 24
Non-GAAP operating income	<u>\$ 171</u>	<u>\$ 135</u>	<u>\$ 162</u>	<u>\$ 530</u>	<u>\$ 513</u>
GAAP operating margin (% of net sales)	26.4%	21.1%	25.4%	22.0%	20.0%
Non-GAAP operating margin (% of net sales)	27.5%	23.3%	25.8%	23.2%	21.3%

Reconciliation of GAAP to Non-GAAP Display Operating Margin

	Three Months Ended			Twelve Months Ended	
	October 28, 2012	July 29, 2012	October 30, 2011	October 28, 2012	October 30, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 93	\$ 142	\$ 171	\$ 473	\$ 699
Operating income (GAAP basis)	\$ 3	\$ 10	\$ 31	\$ 25	\$ 147
Certain items associated with acquisitions	1	2	2	7	7
Non-GAAP operating income	\$ 4	\$ 12	\$ 33	\$ 32	\$ 154
GAAP operating margin (% of net sales)	3.2%	7.0%	18.1%	5.3%	21.0%
Non-GAAP operating margin (% of net sales)	4.3%	8.5%	19.3%	6.8%	22.0%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

	Three Months Ended			Twelve Months Ended	
	October 28, 2012	July 29, 2012	October 30, 2011	October 28, 2012	October 30, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 62	\$ 77	\$ 315	\$ 425	\$ 1,990
Operating income (loss) (GAAP basis)	\$ (480)	\$ (102)	\$ 17	\$ (668)	\$ 453
Certain items associated with acquisitions	7	6	6	25	25
Impairment of goodwill	421	-	-	421	-
Restructuring charges and asset impairments	6	32	-	38	(34)
Non-GAAP operating income (loss)	\$ (46)	\$ (64)	\$ 23	\$ (184)	\$ 444
GAAP operating margin (% of net sales)	-774.2%	-132.5%	5.4%	-157.2%	22.8%
Non-GAAP operating margin (% of net sales)	-74.2%	-83.1%	7.3%	-43.3%	22.3%

Reconciliation of GAAP to Non-GAAP Effective Tax Rate

	<u>Three Months Ended</u> <u>October 28, 2012</u>	<u>Twelve Months Ended</u> <u>October 28, 2012</u>
<i>(In millions, except percentages)</i>		
Provision (benefit) for income taxes (GAAP basis)	\$ (17)	\$ 207
Income tax effect of non-GAAP adjustments	37	112
Resolutions from audits of prior years' income tax filings	5	22
Non-GAAP provision for income taxes	<u>\$ 25</u>	<u>\$ 341</u>
Income (loss) before income taxes (GAAP basis)	(532)	316
Certain items associated with acquisitions	55	298
Acquisition integration and deal costs	13	81
Impairment of goodwill	421	421
Restructuring charges and asset impairments	124	168
Impairment of strategic investments	14	17
Non-GAAP income before income taxes	<u>\$ 95</u>	<u>\$ 1,301</u>
Effective income tax rate (GAAP basis)	3.2%	65.5%
Non-GAAP effective income tax rate	26.3%	26.2%

Reconciliation of Forecasted Non-GAAP EPS – 1Q FY'13

	Three Months Ended January 27, 2013
Forecasted earnings (loss) per share (GAAP basis)	Forecasted \$(0.05) - \$0.01
Known charges related to completed acquisitions	\$0.05
Forecasted non-GAAP EPS three months ended January 27, 2013	<u>\$0.00 - \$0.06</u>

The forecast does not exclude other adjustments that may arise subsequent to Q4'12 earnings release

